

## Message Text

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E.OBM 11652: NQGAV

TAGS: EAGR, SU

SUBJ: GOS ANNOUNCES NEW COTTON MARKETING POLICY

DEPT PASS AGRICULTURE

1. SUMMARY. GOS MARCU 27 ANNOUNCED COTTON MARKETING POLICY FOR 73/74 CROP, SIMILAR THAT FOR LAST HALF 1972,73 CROP. SALES WILL BE BASED CALLING FOR BIDS, LETTER OF CREDIT PAYMENTS AND INCENTIVES FOR EARLY CONTRACT/PAYMENT AND EARLY SHIPMENT. GOVERNMENT USOA  
CES AVOIDING PREDICTIONS RE SIZE CURRENT CROP BUT WE UNDERSTAND PRIVATELY IT MAY APPROXIMATE 1.1 MILLION BALES, SLIGHTLY ABOVE ONE MILLION BALE FIGURE FOR LAST YEAR. END SUMMARY.

2. COTTON PUBLIC CORPORATION (CPC), GOVERNMENT BODY RESPONSIBLE FOR MARKETING SUDANESE COTTON, RELEASED MARCH 27 ITS 1974 MARKETING POLICY (COPY SENT INTERNATIONAL AIRMAIL AF/N APRIL 1). CPC ALSO OFFERED ABOUT 143,000 BALES OF LONG STAPLE VARIETIES (FROM BOTH 1972,73 AND 1973/74 CROPS) FOR SALE BY BIDS WITH APRIL 11, 1974 AS CLOSING DATE. DETAILS POLICY AS FOLLOWS:

A. TERMS OF PAYMENT RESTRICTED IRREVOCABLE CONFIRMED LETTERS OF CREDIT TO BE OPENED WITHIN TEN DAYS OF ACCEPTANCE DATE COVERING 100 PERCENT OF VALUE AND PAYABLE IN KHARTOUM, EITHER ON DATE SHIPMENT OR DECEMBER 31, 1974, WHICHEVER IS LIMITED OFFICIAL USE

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EARLIER. L/C SHOULD ALSO ALLOW PAYMENT FOR PARTIAL SHIPMENT.

BIDS SHOULD BE EXPRESSED IN US CENTS PER POUND (1B) FOB BASIS.

B. FAILURE BY BIDDER OPEN L/C WITHIN SPECIFIED PERIOD EMPOWERS SELLER CANCEL SALE AND HOLD BIDDER RESPONSIBLE FOR ANY INCURRED LOSSES OR DAMAGES RESULTING FROM SUCH CANCELLATION. IN CASE CANCELLATION BY BUYER ANY PART OF PURCHASE OR HIS FAILURE FULFILL TERMS SALE, SELLER SHALL NOT REFUND L/C VALUE OR ANY PART THEREOF UNTIL PURCHASED COTTON IS TOTALLY SOLD AND ANY LOSSES OR DAMAGES INCURRED ARE RECOVERED. ANY PROFIT REALIZED AS RESULT OF RESALE SHALL BE TO BENEFIT SELLER.

C. COTTON CONTRACTED FOR ON OR BEFORE MAY 31, 1974 SHALL BE EXEMPTED FOR STORAGE AND INSURANCE FEES UNTIL DECEMBER 31, 1974. STARTING JANUARY 1, 1975 SUCH CHARGE WILL BE QUARTER OF ONE PERCENT PER MONTH, PRORATA IF COTTON FULLY PAID FOR, AND ONE PERCENT IF VALUE OF COTTON NOT FULLY PAID. COTTON CONTRACTED FOR AFTER JUNE 1, 1974 WILL ENJOY EXEMPTION ON STORAGE CHARGES ONLY UP TO AUGUST 31, 1974. EFFECTIVE SEPTEMBER 1, STORAGE AND INSURANCE FEES AT RATE OF QUARTER OF ONE PERCENT PER MONTH PRORATA WILL BE CHARGED UNTIL DATE OF SHIPMENT PROVIDED THAT FULL VALUE OF COTTON IS PAID; OTHERWISE SUCH RATE WILL BE RAISED TO 1 PERCENT PER MONTH PRORATA.

3. COMMENT: NEW POLICY CLEARLY REFLECTS LESSONS LEARNED IN 1973 WHEN IT VARIOUSLY ESTIMATED THAT GOS LOST BETWEEN LS 12-20 MILLION BY NOT APPRECIATING EXTENT MARKET DEMAND AT BEGINNING SEASON. NOT ONLY IS CPC UTILIZING FROM START BIDDING PROCEDURE FOLLOWED LATTER HALF LAST SEASON, BUT IT HAS EVEN DROPPED ANNOUNCEMENT MINIMUM PRICE, THUS GIVING FREE REIN TO MARKET, RESERVING TO ITSELF KNOWLEDGE WHAT CONDITIONS WILL BEAR. EXTENT CURRENT MARKET DEMAND LIKEWISE REFLECTED ON CASH-ON-BARRELHEAD TERMS OF PAYMENT AND PLACEMENT ON BUYER OF ALL RISKS OF FLUCTUATION IN FREIGHT, INSURANCE OR CURRENCY VALUATION. ON OTHER HAND, GOS CRITICAL NEED FOR FOREIGN EXCHANGE RESULTS IN INCENTIVES FOR EARLY CONTRACTS AND EARLY PAYMENT IN FULL.

4. INTERESTING ASPECT OF FIRST LOT OFFERED FOR BID IS TOTAL ABSENCE MEDIUM AND SHORT STAPEL VARIETIES. ALL 143,000 BALES LONG STAPLE (42,000 FROM 1972,73 CROP, PRESUMABLY LARGELY WIPING LIMITED OFFICIAL USE

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OUT CARRYOVER, AND 101,000 FROM CURRENT SEASON). IN RECENT YEARS MEDIUM AND SHORT VARIETIES HAVE COMMANDED PREMIUM PRICES (AS MORE SUITABLE FOR BLENDING WITH POPULAR SYNTHETICS). BUT NOT ONLY HAS WORLD MARKET CHANGED (WITH SYNTHETICS IN SHORT SUPPLY) BUT GOS ALSO APPARENTLY BOWING TO DOMESTIC CRITICISM THAT EXPORT SALES OF MEDIUM AND SHORT STAPEL VARIETIES HAVE ROBBED LOCAL TEXTILE MILLS OF KEY INGREDIENT OF MASS DEMAND "GREY CLOTH".

5. AS FOR EXTEND THIS YEAR'S CROP, GOS REMAINS VERY SECRETIVE. PRESUMABLY IN PART THIS IS ASPECT MARKETING POLICY, WISHING KEEP BUYERS GUESSING. IT ALSO UNDOUBTEDLY REFLECTS, HOWEVER, UNHAPPY EXPERIENCE OF LAST YEAR WHEN INITIAL ANNOUNCEMENTS FORECAST CROP INCREASES OF 15 PERCENT ONLY TO BE FOLLOWED LESS THAT MONTH LATER WITH REPORTS OF DROP OF SOME 20-30 PERCENT. THIS YEAR THERE HAVE BEEN NO PRELIMINARY ESTIMATES, WITH FIRST ANNOUNCEMENT NOW PROMISED FOR APRIL 15. PRIVATELY WE UNDERSTAND THAT TOTAL PRODUCTION (I.E. PICKED, GINNED AND BALES) LIKELY BE ABOUT AVERAGE--SOMEWHERE BETWEEN MILLION BALES OF 1972,73 AND 1.2 MILLION PLUS FIGURE OF PREVIOUS TWO SEASONS. OUR REPORTS INDICATE THAT PRODUCTION COULD IN FACT HAVE BEEN CONSIDERABLY HIGHER--I.E., CROP IN FIELDS WAS EXCELLENT--BUT HARVESTING HAS BEEN HAMPERED NOT ONLY BY WHAT BECOMING PERENNIAL PROBLEM OF SHORTAGE OF PICKERS BUT ALSO OTHER FACTORS SUCH AS FUEL SHORTAGE. NEVERTHELESS, WITH CURRENT WORLD PRICES, EVEN AVERAGE CROP PROMISES DUAL FOREIGN EXCHANGE EARNINGS SUBSTANTIALLY IN EXCESS RECENT YEARS.  
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